

UNAUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2020



CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders,

We hereby present the unaudited trading results of Tanga Cement Public Limited Company ("Tanga Cement" or the "company") and its subsidiaries (together, the "group") for the year ended 31 December 2020.

Despite the impact of the global COVID-19 pandemic, the group performed well on its key financial performance indicators for the year ended 31 December 2020 as described in the Financial and Operational Overview section below. We affirm our commitment to all stakeholders, through our high quality cement and clinker and our contribution towards the sustainable growth and development of Tanzania. The company has deployed the highest standards of health and safety protocols across all its operations and continues to enforce safety at the work place to protect our employees and contractors.

Macro-economic Overview

The Group's growth outlook continues to be anchored in the growth in cement demand of the Tanzanian construction industry. The average annual headline inflation rate decreased to 3.3% in 2020 from 3.5% in 2019 as a result of Governments' fiscal and monetary policies.

Economic performance remained relatively stable with estimated GDP growth of 5.5% for 2020 compared to 7% recorded in 2019. Robust infrastructure investment and a strengthening consumer base remained major drivers of the business performance witnessed in the twelve months. These business drivers were supported by lower inflation levels in Tanzania, which were in line with Government's medium term monetary policy target.

The Group remains optimistic of the positive impact of infrastructure development plans under the Government's Development Vision 2025 programme and expects the projects to continue gaining momentum in 2021. The Group remains committed to supporting the Government initiatives in growing the Tanzanian economy.

The Group has taken reasonable measures to mitigate the impact of COVID -19 on its operations and remains confident with the initiatives taken by the Government to combat the spread of COVID-19 and stabilise the economy.

The Group has capacity to meet a significant share of the cement demand in the country and remains committed to production of superior cement products.

Financial and Operational Overview

Group's sales revenue decreased marginally by 4%, to TZS 213bn from TZS 221bn achieved in 2019. Despite the fact that the gross profit decreased by 1% to TZS 54.2bn from TZS 54.6bn achieved in 2019, the gross margin increased by 3% mainly due to the savings realised in the cost of production in line with the management's commitment to improving company's financial performance.

Operating profit for the year increased by a pleasing 39% to TZS 17.3bn, from TZS 12.4bn achieved in 2019, due to optimisation of operational, administration, distribution and logistics costs.

We are also proud to report that EBITDA improved by 13% to TZS 41bn from TZS 37bn achieved in 2019 driven by improved efficiencies in the operations.

The Group incurred a marginal loss before tax of TZS 0.63bn in 2020 which is a significant improvement from loss before tax of TZS 13.8bn recorded in 2019. The decrease in loss before tax was mainly due to the increase in operating profit, decrease in foreign exchange and fair value losses which are related to the USD denominated loan for the new kiln production line. The outstanding balances on term loans were reduced through payment of instalments in 2020 and improved treasury management including but not limited to hedging strategies and strict control over work capital facilities.

The Group recorded a net loss after tax of TZS 2.1bn in 2020 which is significant improvement from the net loss after tax of TZS 11.9bn recorded in 2019.

Cash generated from trading activities improved by 12% to TZS 47.7bn from TZS 42.7bn recorded in 2019. Net cash flows from operations has also increased by 6% to TZS 42.8bn from TZS 40.6bn recorded in 2019. The net cash flows from operations, and the EBITDA performance, are testament to the Group's improved operational business fundamentals.

The Group continues to be committed to its sales, logistics and cost optimisation initiatives as it seeks to enhance value for its stakeholders. The Group remains positive about 2021 despite the very competitive landscape and the impact of COVID-19. Government initiatives to spur economic growth through infrastructure development and promotion of local industries is expected to boost local cement output and consumption while curbing the influx of cheap imported cement.

Dividend

The Group maintains its position that it is prudent to maintain cash and not pay dividends to its shareholders so as to remain sustainable and be able to weather current economic challenges contributed by COVID-19 and other factors. The Board aims to continue committing available current cash resources to the operational and debt service commitments. The Board will evaluate the financial performance throughout the 2021 financial year when considering the future dividend declaration.

Conclusion

The Group remains ever grateful to its staff for their passion and dedication demonstrated during the year despite challenges, and also to its customers for their royalty to our Simba Cement brand, as the Group works to achieve its short- and long-term growth strategy.

With Tanzania remaining a significant player in the East African construction market, cement output is anticipated to increase and the Group is well positioned to take advantage of the growth opportunities in the regional market.

Tanga Cement expresses its condolences on the recent passing of His Excellency Dr J.P. Magufili, President of the United Republic of Tanzania.

For and on behalf of the Board
Lawrence Masha
Chairman of the Board

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2020

	Group Dec 2020 TZS'000	Group Dec 2019 TZS'000	Company Dec 2020 TZS'000	Company Dec 2019 TZS'000
Revenue	212,512,260	220,882,297	212,512,260	218,031,750
Cost of sales	(158,330,527)	(166,313,105)	(158,330,527)	(165,327,930)
Gross profit	54,181,733	54,569,192	54,181,733	52,703,820
Other income	431,111	770,220	398,767	680,444
Other expenses	(253,749)	(351,705)	(253,749)	(351,705)
Selling expenses	(2,992,108)	(5,080,554)	(2,992,108)	(5,080,554)
Administration expenses	(14,267,040)	(16,426,799)	(14,200,953)	(14,340,733)
Depreciation charge	(19,934,278)	(20,061,829)	(19,939,297)	(19,886,408)
Impairment and other charges	-	-	(70,315)	(1,222,538)
Expected credit losses (increase)/decrease	91,363	(990,337)	104,527	(2,796,340)
Operating profit	17,257,032	12,428,188	17,228,605	9,705,986
Interest expense	(14,718,662)	(19,218,998)	(14,720,077)	(19,189,946)
Finance income	5,056	10,447	5,056	10,447
Foreign exchange and fair value losses	(3,176,681)	(7,027,815)	(3,190,084)	(7,004,590)
Loss before tax	(633,255)	(13,808,178)	(676,500)	(16,478,103)
Deferred tax credit	(1,478,807)	1,955,630	(1,478,807)	2,065,400
Loss for the year	(2,112,062)	(11,852,548)	(2,155,307)	(14,412,703)
Other comprehensive income				
"Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):"				
Exchange differences on translation of foreign operations	(32,994)	(22,547)	-	-
Total comprehensive income for the year, net of tax	(2,145,056)	(11,875,095)	(2,155,307)	(14,412,703)
Attributable to:				
Owners of the parent	(2,112,062)	(11,852,548)	(2,155,307)	(14,412,703)
Non-controlling interests	-	-	-	-
(2,112,062)	(11,852,548)	(2,155,307)	(14,412,703)	
Total comprehensive income for the year attributable to:				
Owners of the parent	(2,145,056)	(11,875,095)	(2,155,307)	(14,412,703)
Non-controlling interests	-	-	-	-
(2,145,056)	(11,875,095)	(2,155,307)	(14,412,703)	
Weighted average number of shares in issue less treasury shares	62,967,893	62,967,893	-	-
Basic and diluted loss per share	(34)	(188)		

Consolidated and Separate Statements of Financial Position as at 31 December 2020

	Group Dec 2020 TZS'000	Group Dec 2019 TZS'000	Company Dec 2020 TZS'000	Company Dec 2019 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	313,717,275	331,516,226	312,906,893	330,634,438
Right-of-use assets	10,187,786	12,184,909	9,908,648	11,960,728
Investment property	560,484	583,212	-	-
Investment in subsidiary	-	-	552,564	552,564
Equity investment	-	-	-	-
Financial asset - Interest rate cap	229,170	1,586,736	229,170	1,586,736
Deferred tax asset	-	-	-	-
324,694,715	345,871,083	323,597,275	344,734,466	
Current assets				
Due from employees' share trust	-	-	351,575	421,890
Inventories	54,025,387	48,216,378	54,025,387	48,216,378
Trade and other receivables	9,799,677	10,617,438	9,948,423	10,322,936
VAT recoverable	-	-	-	-
Current income tax recoverable	6,443,707	2,622,355	5,969,790	2,377,203
Cash and bank balances	3,204,572	8,907,345	3,042,758	8,695,481
73,473,343	70,363,516	73,337,933	70,033,888	
Non-current assets held for sale	3,870	3,870	-	-
TOTAL ASSETS	398,171,928	416,238,469	396,935,208	414,768,354
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(57,968)	(24,974)	-	-
Treasury shares	(351,575)	(421,890)	-	-
Retained earnings	135,146,541	137,258,603	133,583,229	135,738,536
Equity attributable to owners of the parent	136,010,419	138,085,160	134,856,650	137,011,957
Non-controlling interest	-	-	-	-
TOTAL EQUITY	136,010,419	138,085,160	134,856,650	137,011,957
Non-current Liabilities				
Lease liabilities	5,160,608	7,400,436	5,184,870	7,370,880
Provision for site restoration	28,101	26,931	28,101	26,931
Term borrowings: Non-current portion	141,567,340	152,698,967	141,567,340	152,698,967
Deferred tax liability	1,906,850	1,531,723	1,906,850	1,531,723
148,662,899	161,658,057	148,687,161	161,628,501	
Current Liabilities				
Lease liabilities	5,833,975	4,530,368	5,788,769	4,458,538
Term borrowings: Current portion	30,069,355	39,916,316	30,069,355	39,916,316
Trade and other payables	45,732,759	39,264,589	45,310,307	39,199,719
Contract liabilities	8,250,357	3,868,717	8,610,802	3,638,061
Derivative liabilities	-	748,585	-	748,585
Bank overdrafts	23,612,164	28,166,677	23,612,164	28,166,677
113,498,610	116,495,252	113,391,397	116,127,896	
TOTAL LIABILITIES	262,161,509	278,153,309	262,078,558	277,756,397
TOTAL EQUITY AND LIABILITIES	398,171,928	416,238,469	396,935,208	414,768,354

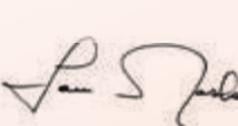
Consolidated and Separate Statements of Cash Flows for the year ended 31 December 2020

	Group Dec 2020 TZS'000	Group Dec 2019 TZS'000	Company Dec 2020 TZS'000	Company Dec 2019 TZS'000
Cash generated from operating activities				
Operating profit	17,257,032	12,428,188	17,228,605	9,705,986
Adjusted for non cash items:				
Gain on disposal of equity investment	-	(228,360)	-	(228,360)
Depreciation charge	24,214,893	24,334,730	24,219,912	24,159,309
Other unrealised charges	-	28,126	-	-
Impairment charge	-	-	70,315	1,222,538
Increase in ECL on bank balances	(88,649)	30,178	(118,459)	39,114
Increase/(decrease) in ECL on trade receivables	(2,714)	960,159	13,932	2,757,226
Bad debts write off	298,533	-	298,533	-
Increase in provision for leave pay	(68,041)	-	(68,041)	-
Gain on sale of property, plant & equipment (PPE)	(17,467)	(81,960)	(17,467)	(65,768)
Loss on de-recognition of PPE and investment property	253,749	351,705	253,749	351,705
Increase/(decrease) in provision for obsolete inventories	(365,324)	1,112,144	(365,324)	1,125,591
Increase in site restoration provision	1,170	874	1,170	874
Operating profit before working capital changes	41,483,182	38,935,784	41,516,925	39,068,215
Increase in amount due from the Trust	-	-	-	-
(Increase)/decrease in inventories - less provisions	(5,443,685)	(4,521,961)	(5,443,685)	(5,197,887)
(Increase)/decrease in trade and other receivables - gross	820,475	(944,098)	360,581	(560,919)
Decrease in VAT recoverable	-	132,190	-	132,190
Increase/(decrease) in trade and other payables	6,468,170	9,428,271	6,110,588	9,820,258
Increase/(decrease) in contract liabilities	4,381,640	(365,051)	4,972,741	(318,941)
Cash generated from operating activities	47,709,783	42,665,135	47,517,150	42,942,916
Interest income received	5,056	10,447	5,056	10,447
Income taxes paid	(4,893,480)	(2,113,251)	(4,660,608)	(2,038,988)
Net cash flows from operating activities	42,821,358	40,562,331	42,861,598	40,914,375
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	34,716	76,170	34,716	66,802
Purchase of property, plant and equipment	(4,425,886)	(3,403,020)	(4,425,886)	(3,403,021)
Proceeds from sale of equity investment	-	-	-	228,460
Net cash flows used in investing activities	(4,391,170)	(3,326,850)	(4,391,170)	(3,107,759)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(4,047,451)	(4,917,319)	(3,983,300)	(4,813,011)
Lease liability interest paid	(930,184)	(1,249,127)	(915,308)	(1,230,758)
Interest paid - overdrafts	(1,885,678)	(2,015,699)	(1,885,678)	(2,015,699)
Interest paid - term borrowings	(11,519,161)	(17,065,716)	(11,519,161)	(17,065,716)
Principal repayments - term borrowings	(22,009,801)	(31,230,693)	(22,009,801)	(31,230,693)
Net cash flows used in financing activities	(40,392,275)	(56,478,554)	(40,313,248)	(56,355,877)
Net (decrease)/increase in cash and cash equivalents	(1,962,087)	(19,243,073)	(1,842,820)	(18,549,261)
Net foreign exchange differences	813,827	(344,260)	744,610	(566,462)
Cash and cash equivalents at 1 January	(19,259,332)	328,001	(19,471,196)	(355,473)
Cash and cash equivalents at 31 Dec	(20,407,592)	(19,259,332)	(20,569,406)	(19,471,196)

Information to Members

The company secretary would like to inform the members that dividends can be directly transferred to their bank accounts.

Members can contact The Dar es Salaam Stock Exchange on +255 (0)22 2123983 or on +255 (0)22 2128522 for information on how to have the dividends deposited directly into their bank accounts.


L Masha
Chairman
30 March 2021


R Swart
Managing Director


Q Ganijee
Company Secretary

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